

FIFE LAKE TOWNSHIP
GRAND TRAVERSE COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Fife Lake Township	County Grand Traverse
Fiscal Year End 03/31/07	Opinion Date 12/5/07	Date Audit Report Submitted to State 12/6/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

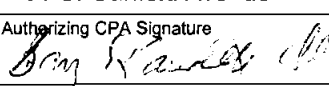
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	License Number 11050

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INTRODUCTORY SECTION

**Fife Lake Township
List of Elected Officials
June 30, 2007**

ELECTED OFFICIALS

Marianne (Toni) Larson(resigned 9/27/07)	Supervisor
Frederick D. Joles(appointed 10/1/07)	Supervisor
Judith G. Houts	Clerk
Cathy L. Sorrow	Treasurer
Aloysius (Al) Cwalina	Trustee
Elizabeth Ingersoll	Trustee

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Fife Lake Township
Grand Traverse County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fife Lake Township, Grand Traverse County, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The basic financial statements referred to above include only the primary government of the Township, which consists of all funds that comprise the Township's legal entity. The financial statements do not include financial data for the Township's legally separate component unit, the Fife Lake Fire Department, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Township's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Fife Lake Township, Grand Traverse County, Michigan, as of June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

Fife Lake Township
Independent Auditors' Report
Page Two

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of the Fife Lake Township, Grand Traverse County, Michigan, as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Fife Lake Township has not presented a management discussion and analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fife Lake Township's, Grand Traverse County, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

Serg E. Landolt, CPA, PA

December 5, 2007

BASIC FINANCIAL STATEMENTS

Fife Lake Township
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 197,713
Prepaid insurance	1,070
Mortgage receivable	45,000
Due from other funds	48
Capital assets (net of accumulated depreciation):	
Land and improvements	61,000
Buildings and improvements	89,486
Fire equipment	48,981
Cemetery improvements	<u>8,243</u>
Total assets	<u>451,541</u>
LIABILITIES	
Accounts payable	22,285
Accrued liabilities	<u>1,627</u>
Total liabilities	<u>23,912</u>
NET ASSETS	
Invested in capital assets, net of related debt	207,710
Unrestricted	<u>219,919</u>
Total net assets	<u><u>\$ 427,629</u></u>

See notes to financial statements

Fife Lake Township
Statement of Activities
For the Year Ended June 30, 2007

Functions /Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative	\$ 7,251	\$	\$	\$
General				
Government	125,428	3,357	3,145	
Public safety	117,299		1,428	
Public works	22,052		3,121	
Health & welfare	43,457		1,300	58,637
Community/ economic development	28,337	8,206		
Other	<u>5,930</u>	<u>2,844</u>		<u>50,000</u>
Total governmental activities	<u>\$ 349,754</u>	<u>\$ 14,407</u>	<u>\$ 8,994</u>	<u>\$ 108,637</u>

General revenues:
Property taxes & administrative fees
State aid
Interest earnings
Rentals

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements.

Net (Expense)
Revenue and
Changes in
Net Assets

Governmental
Activities

\$ (7,251)

(118,926)

(115,871)

(18,931)

16,480

(20,131)

46,914

(217,716)

209,963

78,366

2,837

8,000

299,166

81,450

346,179

\$ 427,629

Fife Lake Township
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Ambulance</u>
ASSETS				
Cash and cash equivalents	\$ 75,877	\$ 30,908	\$ 23,190	\$ 41
Prepaid insurance	1,070			
Due from other funds	<u>48</u>	<u></u>	<u></u>	<u></u>
Total assets	<u>\$ 76,995</u>	<u>\$ 30,908</u>	<u>\$ 23,190</u>	<u>\$ 41</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 223	\$	\$	\$
Accrued liabilities	<u>1,627</u>	<u></u>	<u></u>	<u></u>
Total liabilities	<u>1,850</u>	<u></u>	<u></u>	<u></u>
Fund balances:				
Unreserved, reported in:				
General fund	75,145			
Special revenue funds	<u></u>	<u>30,908</u>	<u>23,190</u>	<u>41</u>
Total fund balances	<u>75,145</u>	<u>30,908</u>	<u>23,190</u>	<u>41</u>
Total Liabilities and Fund Balances	<u>\$ 76,995</u>	<u>\$ 30,908</u>	<u>\$ 23,190</u>	<u>\$ 41</u>

See notes to financial statements

<u>Milfoil Special Assessment District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 55,238	\$ 12,459	\$ 197,713 1,070
		48
<u>\$ 55,238</u>	<u>\$ 12,459</u>	<u>\$ 198,831</u>
 \$ 22,062	 \$	 \$ 22,285
		1,627
<u>22,062</u>		<u>23,912</u>
		75,145
<u>33,176</u>	<u>12,459</u>	<u>99,774</u>
<u>33,176</u>	<u>12,459</u>	<u>174,919</u>
<u>\$ 55,238</u>	<u>\$ 12,459</u>	<u>\$ 198,831</u>

Fife Lake Township
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
June 30, 2007

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 174,919
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Mortgage loan receivables are setup in in governmental activities as an asset, but not in governmental funds.	45,000
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	468,766
Accumulated depreciation	<u>(261,056)</u>

Total Net Assets - Governmental Activities	<u>\$ 427,629</u>
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See notes to financial statements

Fife Lake Township
Statement of Revenues, Expenditures, and Changes
In Fund Balance
Governmental Funds
For the Year Ended June 30, 2007

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Ambulance</u>
REVENUES				
Taxes & adm. fees	\$ 47,958	\$ 75,559	\$ 43,223	\$ 43,223
Licenses & permits	9,070			
Intergovernmental revenue from state:				
State revenue				
sharing	67,805			
Swamp taxes	10,561			
SET	3,145			
Annual maintenance fee				
Contributions from local units	1,428			
Charges for services	1,650			
Interest earnings	1,774	292	285	54
Rents	8,000			
Other revenue:				
Special				
assessments				
Sale of lots				
Sale of building	5,000			
Refunds	2,844			
	<u>159,235</u>	<u>75,851</u>	<u>43,508</u>	<u>43,277</u>
Total revenues				
EXPENDITURES				
Current:				
Legislative	7,251			
General government	109,895			
Public safety	106,864			
Public works				
Health & welfare	43,457			
Community/economic development	28,337			
Other:				
FICA & Medicare	5,930			
Capital outlay	8,320			
Total				
expenditures	<u>310,054</u>			
Excess (deficiency) of revenues over (under) expenditures	<u>(150,819)</u>	<u>75,851</u>	<u>43,508</u>	<u>43,277</u>

<u>Milfoil Special Assessment District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$		\$ 209,963 9,070
		67,805 10,561 3,145
	3,121	3,121
1,300	243	2,971 1,650
291	141	2,837 8,000
58,637		58,637
	600	600 5,000 2,844
<u>60,228</u>	<u>4,105</u>	<u>386,204</u>
		7,251 109,895 107,503
22,052	639	22,052 43,457
		28,337
		5,930 8,320
<u>22,052</u>	<u>639</u>	<u>332,745</u>
<u>38,176</u>	<u>3,466</u>	<u>53,459</u>

Fife Lake Township
Statement of Revenues, Expenditures, and Changes
In Fund Balance
Governmental Funds
For the Year Ended June 30, 2007
(Continued)

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Ambulance</u>
OTHER FINANCING SOURCES (USES)				
Transfers in(out)	<u>145,750</u>	<u>(48,794)</u>	<u>(48,650)</u>	<u>(43,306)</u>
Total other financing sources(uses)	<u>145,750</u>	<u>(48,794)</u>	<u>(48,650)</u>	<u>(43,306)</u>
Net changes in fund balances	(5,069)	27,057	(5,142)	(29)
Fund balances- beginning	<u>80,214</u>	<u>3,851</u>	<u>28,332</u>	<u>70</u>
Fund balances- ending	<u>\$ 75,145</u>	<u>\$ 30,908</u>	<u>\$ 23,190</u>	<u>\$ 41</u>

See notes to financial statements

<u>Milfoil Special Assessment District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>(5,000)</u>	<u> </u>	<u> </u>
<u>(5,000)</u>	<u> </u>	<u> </u>
33,176	3,466	53,459
<u> </u>	<u>8,993</u>	<u>121,460</u>
<u>\$ 33,176</u>	<u>\$ 12,459</u>	<u>\$ 174,919</u>

Fife Lake Township
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances -	
total governmental funds	\$ 53,459

Governmental funds report sale proceeds in the year received. However, in the statement of activities the amount of the sale is reported. This is the difference between cash proceeds received this fiscal year and the amount of the sale.	45,000
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(17,009)
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Change in net assets of governmental activities	<u>\$ 81,450</u>
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Fife Lake Township
General Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance
-Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes and related fees	\$ 5,000	\$ 5,000	\$ 47,958	\$ 42,958
Licenses & permits	9,500	9,500	9,070	(430)
Intergovernmental revenue from state:				
State revenue sharing	69,000	69,000	67,805	(1,195)
Swamp taxes	10,000	10,000	10,561	561
SET	3,000	3,000	3,145	145
Contributions from local units	1,000	1,000	1,428	428
Charges for services	1,800	1,800	1,650	(150)
Interest earnings	1,000	1,000	1,774	774
Rents	8,000	8,000	8,000	
Other revenue:				
Sale of building			5,000	5,000
Refunds			<u>2,844</u>	<u>2,844</u>
Total revenues	<u>108,300</u>	<u>108,300</u>	<u>159,235</u>	<u>50,935</u>
EXPENDITURES				
Current:				
Legislative:				
Township board	<u>5,760</u>	<u>5,760</u>	<u>7,251</u>	<u>(1,491)</u>
General government:				
Supervisor	9,420	9,420	8,635	785
Treasurer	10,925	10,925	13,212	(2,287)
Assessor	19,200	19,200	15,014	4,186
Clerk	9,920	9,920	15,347	(5,427)
Elections	5,000	5,000	6,307	(1,307)
Building & grounds	23,442	23,442	19,588	3,854
Utilities	15,000	15,000	7,786	7,214
Legal	10,000	10,000	7,123	2,877
Audit & accounting	3,500	3,500	832	2,668
Board of review	850	850	473	377
Office	33,130	33,130	11,487	21,643

Fife Lake Township
General Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance
-Budget and Actual
For the Year Ended June 30, 2007
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES				
(CONTINUED):				
Current:				
Cemetery			4,091	(4,091)
Total general government	140,387	140,387	109,895	30,492
Public safety:				
Fire protection	6,500	6,500	49,928	(43,428)
Police			56,936	(56,936)
Total public safety	6,500	6,500	106,864	(100,364)
Public works:				
Roads maintenance	10,000	10,000		10,000
Health and Welfare:				
Ambulance	10,000	10,000	43,457	(33,457)
Community/Economic development:				
Planning commission	6,000	6,000	4,266	1,734
Zoning administrator	15,450	15,450	23,961	(8,511)
Zoning board of appeals			110	(110)
Total community/economic development	21,450	21,450	28,337	(6,887)
Recreation & culture:				
Contributions	1,500	1,500		1,500

Fife Lake Township
General Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance
-Budget and Actual
For the Year Ended June 30, 2007
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
EXPENDITURES				
(CONTINUED) :				
Other:				
FICA and Medicare	10,550	10,550	5,930	4,620
Capital outlay	23,000	23,000	8,320	14,680
Total other	33,550	33,550	14,250	19,300
Total expenditures	229,147	229,147	310,054	(80,907)
Excess (deficiency) of revenues over (under) over expenditures	(120,847)	(120,847)	(150,819)	(29,972)
OTHER FINANCING				
SOURCES (USES)				
Transfer in			145,750	145,750
Total other financing sources (uses)			145,750	145,750
Net changes in fund balances	(120,847)	(120,847)	(5,069)	115,778
Fund balances- beginning	80,847	80,847	80,214	(633)
Fund balances- ending	<u>\$(40,000)</u>	<u>\$(40,000)</u>	<u>\$ 75,145</u>	<u>\$ 115,145</u>

See notes to financial statements

Fife Lake Township
Statement of Fiduciary Funds
Fiduciary Funds
June 30, 2007

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>48</u>
Total assets	<u>48</u>
LIABILITIES	
Due to other funds	<u>48</u>
NET ASSETS	
Held in trust for other purposes	<u>\$</u>

See notes to financial statements

Fife Lake Township
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007

	<u>Agency Fund</u>
ADDITIONS	
Property tax collections, special assessments and fees	\$1,823,609
Interest earnings	<u>645</u>
Total additions	<u>1,824,254</u>
DEDUCTIONS	
Payments to other funds	268,600
Payments to other governmental units	<u>1,555,654</u>
Total deductions	<u>1,824,254</u>
Changes in net assets	
Net assets - beginning	<u> </u>
Net assets - ending	<u><u>\$ </u></u>

See notes to financial statements

Fife Lake Township
Notes to the Financial Statements
June 30, 2007

I. Summary of significant accounting policies

The financial statements of Fife Lake Township (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has one component unit, the Fife Lake Fire Department, that is not included in these financial statements. The Township is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Grand Traverse County, which advances the Township 100% for the delinquent taxes.

The 2006 taxable valuation of the Township (real and personal) totaled \$44,339,410, on which ad valorem taxes levied consisted of 0.8369 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$11,782 to collect the taxes and applicable interest.

The Township also levies 1.0 mill each for Township fire and ambulance purposes and they are reported in the fire and ambulance funds. The Township also levies 1.75 mills for police purposes and is reported in the police fund.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *police fund* is a special revenue fund that accounts for the collection of a tax levy for police protection from the Grand Traverse County sheriff department.

The *fire fund* is a special revenue fund that accounts for the collection of a tax levy for fire protection.

The *ambulance fund* is a special revenue fund that accounts for the collection of a tax levy for ambulance services.

The *Milfoil Special Assessment District fund* was established on October 19, 2006 for the purpose of paying for the costs of treatment of milfoil from Fife Lake. The special assessment roll shall be paid annually for a five year period. All unpaid annual payments shall bear interest payable annually at the rate of 1 percent per annum.

Additionally, the government reports the following fund types:

The *cemetery, road, and building code funds* are special revenue funds.

The Township reports the following fiduciary funds:

These funds are used to account for assets held in trust or as an agent for others. The Township has one fiduciary fund as follows:

Agency Fund

Agency funds are purely custodial in nature (assets equal liabilities) and thus, do not involve measurement of results of operations. The *tax collection fund* is an agency fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term interfund receivables/payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. Receivables and payables

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Fire equipment	15
Office furniture and equipment	5
Cemetery improvements	10

6. Compensated absences

The Township does not have a compensated absence policy.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt

issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township does not have any long-term debt.

8. Fund balance

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund. Budgets were not adopted for the special revenue funds.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year with the last one approved prior to July 1st.

B. Excess of expenditures over appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis.

During the year ended June 30, 2007, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Legislative:			
Township board	\$ 5,760	\$ 7,251	\$ (1,491)
General government:			
Elections	5,000	6,307	(1,307)
Clerk	9,920	15,347	(5,427)
Treasurer	10,925	13,212	(2,287)
Cemetery		4,091	(4,091)
Public safety:			
Fire protection	6,500	49,928	(43,428)
Police		56,936	(56,936)
Health & welfare:			
Ambulance	10,000	43,457	(33,457)
Community/Economic development:			
Zoning administrator	15,450	23,961	(8,511)
Zoning board of appeals		110	(110)

These overexpenditures were funded by the available fund balance in the general fund.

III. Detailed notes on all funds

A. Cash and investments

Deposits

The Township's policies regarding deposits of cash are discussed in Note I(D)(1). The table presented below is designed to disclose the level of custody credit risk assumed by the Township based upon how its deposits were insured or secured with collateral at June 30, 2007. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Township(or public trust) or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Township's name, or collateralized with no written or approved collateral agreement.

	<u>Total Bank Balance</u>	<u>Custody Category 1</u>	<u>Credit Category 2</u>	<u>Risk Category 3</u>	<u>Total Carrying Value</u>
Demand deposits	\$ 95,411	\$ 95,411	\$	\$	\$ 75,877
Savings	<u>121,836</u>	<u>100,000</u>	<u>21,836</u>		<u>121,836</u>
	<u>\$ 217,247</u>	<u>\$195,411</u>	<u>\$ 21,836</u>	<u>\$</u>	<u>\$197,713</u>

Investments

The Township does not have any investments.

A reconciliation of cash as shown on the combined statement of net assets follows:

Carrying amount of deposits	<u>\$ 197,713</u>
Cash and cash equivalents:	
Governmental funds	\$ 217,247
Governmental funds - checks written in excess of deposits	<u>(19,534)</u>
Total	<u>\$ 197,713</u>

B. Mortgage receivable

On May 21, 2007 the Township sold the old library building for \$50,000 to the Fife Lake Area Historical Society. The first annual payment of \$5,000 was made on June 28, 2007. Interest will not be charged on the unpaid balance.

C. Capital assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land & improvements	\$ 61,000	\$	\$	\$ 61,000
Capital assets, being depreciated:				
Buildings & improvements	187,892	8,320		196,212
Fire equipment	146,942			146,942
Cemetery improvements	25,755			25,755
Office equipment	38,857			38,857
Total capital assets being depreciated	399,446	8,320		407,766
Less accumulated depreciation for:				
Buildings & improvements	(101,539)	(5,187)		(106,726)
Fire equipment	(88,165)	(9,796)		(97,961)
Cemetery improvements	(14,937)	(2,575)		(17,512)
Office equipment	(31,086)	(7,771)		(38,857)
Total accumulated depreciation	(235,727)	(25,329)		(261,056)
Total capital assets, being depreciated, net	163,719	(17,009)		146,710
Governmental activities capital assets, net	<u>\$ 224,719</u>	<u>\$ (17,009)</u>	<u>\$</u>	<u>\$ 207,710</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 15,533
Public safety	<u>9,796</u>
Total depreciation expense-governmental activities	<u>\$ 25,329</u>

D. Interfund receivables, payables, and transfers

Interfund transfers:

	<u>Transfer In:</u>		
Transfer out:	<u>General Fund</u>	<u>Nonmajor Govern'l</u>	<u>Total</u>
General fund	\$	\$	\$
Police fund	48,794		48,794
Fire fund	48,650		48,650
Ambulance fund	43,306		43,306
Milfoil fund	5,000		5,000
Total transfer out	<u>\$145,750</u>	<u>\$</u>	<u>\$ 145,750</u>

The composition of interfund balances as of June 30, 2007, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency fund	<u>\$ 48</u>

IV. Other information

A. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Township was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Township pays an annual premium to the pool for its general insurance coverage.

The Township has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Township is unable to provide an estimate of the amounts of additional assessments.

B. Pension plan

The Township does not have a pension plan.

C. Subsequent events

On September 6, 2007, the Township approved a resolution to acquire and construct the fire hall expansion and township hall renovation project and to publish notice of intent to issue capital improvement bonds.

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Cemetery Fund - This fund was created to collect monies from cemetery lot sales.

Road Fund - This fund collects donations for the purpose of road improvements.

Building Code Fund - This was created to collect monies from charges for fees from building code charges.

Fife Lake Township
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Cemetery</u>	<u>Road</u>	<u>Building Code</u>	
ASSETS				
Cash and cash equivalents	\$ 1,288	\$ 10,599	\$ 572	\$ 12,459
Total assets	<u>\$ 1,288</u>	<u>\$ 10,599</u>	<u>\$ 572</u>	<u>\$ 12,459</u>
FUND BALANCES				
Unreserved, designated	<u>1,288</u>	<u>10,599</u>	<u>572</u>	<u>12,459</u>
Total fund balances	<u>\$ 1,288</u>	<u>\$ 10,599</u>	<u>\$ 572</u>	<u>\$ 12,459</u>

See notes to financial statements

Fife Lake Township
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	<u>Special Revenue</u>			<u>Total</u>
	<u>Cemetery</u>	<u>Road</u>	<u>Building Code</u>	<u>Nonmajor Governmental Funds</u>
REVENUES				
State annual maintenance fee	\$	\$ 3,121	\$	\$ 3,121
Charges for services			243	243
Interest earnings	14	118	9	141
Other revenue:				
Sale of lots	<u>600</u>	<u></u>	<u></u>	<u>600</u>
Total revenues	<u>614</u>	<u>3,239</u>	<u>252</u>	<u>4,105</u>
EXPENDITURES				
Current:				
Public safety	<u></u>	<u></u>	<u>639</u>	<u>639</u>
Total expenditures	<u></u>	<u></u>	<u>639</u>	<u>639</u>
Net change in fund balances	614	3,239	(387)	3,466
Fund balances- beginning	<u>674</u>	<u>7,360</u>	<u>959</u>	<u>8,993</u>
Fund balances- ending	<u>\$ 1,288</u>	<u>\$10,599</u>	<u>\$ 572</u>	<u>\$ 12,459</u>

See notes to financial statements

COMMENTS AND RECOMMENDATIONS

Members of the Township Board
Fife Lake Township
Grand Traverse County, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The following comments and recommendations are based on observations made during the course of my examination for the year ended June 30, 2007:

Accounting Records

The audit of the financial statements as of June 30, 2005, disclosed that the audit trail was not adequate. The accounting records were much improved and provided an audit trail for me. Improvements could still be made in classifying tax revenues to match the tax levies of the Police, Ambulance, Fire, and General Fund operating tax levy. Also, payments made for ambulance services should be classified as such on the trial balance.

Budget

A budget should be adopted for fire and police protection.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Township Board, and the Michigan Department of Treasury and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

December 5, 2007